

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.

DEC 21 1939

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No. 8

November 21, 1939

To all Administrative Officers and State Committeemen,
Agricultural Adjustment Administration,
Southern Region:

Re: Indebtedness Register in Cases of
Unpaid Penalties in Connection
with 1938-39 Marketing Quotas.

Several questions have arisen with regard to the closing of 1938 farm accounts and the collection of unpaid penalties incurred during the 1938-39 marketing year by means of offsetting against payments accruing under agricultural programs. These questions and the answers thereto are set out below:

Question No. 1. In the event the total cotton marketed during the 1938-39 marketing year by all producers on a farm did not exceed the 1938 farm marketing quota but one or more producers on the farm marketed during such year cotton in excess of their producer marketing quotas, should such producers be required to pay the penalty incurred upon the marketing of cotton in excess of their respective producer marketing quotas and placed on the register of indebtedness for the amount of such penalty which remains unpaid?

Answer. Yes. In such a case it is necessary that each producer who marketed cotton during the 1938-39 marketing year pay the penalty incurred upon the marketing of cotton in excess of his producer marketing quota although the total marketings for the farm did not exceed the marketing quota for the farm. Otherwise, each producer who marketed less than his 1938 producer marketing quota would be charged in 1939 with more carryover penalty cotton than he should have charged to him and this may result in his paying the penalties on an amount of cotton which should have been paid by the producer who marketed in 1938 cotton in excess of his producer marketing quota.

In this type of case, each producer by or for whom cotton was marketed during the 1938-39 marketing year in excess of his producer marketing quota shall be required to pay the amount of penalty computed by multiplying by 2 cents the amount of cotton marketed in excess of his producer marketing quota. He shall be placed on the register of indebtedness for the amount unpaid by him.

Question No. 2. Cases have arisen where the sum of the amount of cotton marketed in excess of the 1938-39 marketing quota of each producer on the farm exceeds the amount of cotton marketed in excess of the 1938-39 farm marketing quota. An example of such cases arises where one or more producers marketed less than their respective producer marketing quotas but the total marketing for the farm exceeded the farm marketing quota.

Example showing the execution of the pertinent columns on form 350:

Producer	Final producer marketing quota	Share in production	Share in cotton marketed	Cotton marketed subject to penalty	Penalties incurred
2	8	10	12	13	22
A	1000	2000	500	0	\$ 0.00
B	1000	2000	1500	500	10.00
C	2000	4000	3000	1000	20.00
Total	4000	8000	5000	1500	\$30.00

In the above example the amount marketed in excess of the farm marketing quota is 1000 pounds and the sum of the amount marketed in excess of each producer's marketing quota is 1500 pounds. In such a case should each producer be required to pay the penalty on the amount of cotton marketed in excess of his producer marketing quota or only his pro rata part of the amount of penalty incurred on the marketing of cotton in excess of the farm marketing quota?

Answer. The amount of penalties incurred will be the sum of the amounts computed by multiplying by 2 cents the amount marketed by or for each producer on the farm in excess of his respective producer marketing quota. In the example case this amount would be \$30.00. In the event the total amount collected for the farm is less than this amount (in the example case \$30.00) each producer shall be placed on the register of indebtedness for the amount remaining unpaid by him but not in excess of the amount due for the farm. A cross reference shall be made to each producer on the farm in 1938 who owes penalties and an offset can be made up to the full amount of penalties remaining unpaid by him but not in excess of the amount due for the farm. A reference should be made on the register of indebtedness as to the amount due for the farm so that an offset of an amount greater than is necessary will not be made.

In the example case above, suppose that only \$24.00 had been collected for the farm and this was collected from producer C. In such a case producer B would be placed on the register of indebtedness

for \$6.00. Suppose that A had paid \$6.00 and C had paid \$16.00. In such a case producer B would be placed on the register of indebtedness for \$8.00 and producer C would be placed on the register of indebtedness for \$4.00. If an offset is first made from an application submitted by B under the 1939 Agricultural Conservation Program or other agricultural program of \$8.00, both B and C will be removed from the register of indebtedness, since the total amount due will have been collected. If applications from B and C are handled together, \$5.34 would be offset from B's payment and \$2.66 from C's payment.

Question No. 3. In view of the answers to the above questions, how will form Cotton 350 be executed in such cases?

Answer. Form Cotton 350 shall be executed for each producer as set forth in Section 224 of Cotton 308 - Part II. In such cases the entry for the farm in column 13 opposite the word "Total" in column 1, which is the sum of the entries in column 13 opposite the producers' names, will not equal the result obtained by subtracting the entry on the same line in column 8 from the entry on the same line in column 12 (see the example in answer to question 2). However, the entry for the farm in column 13 opposite the word "Total" multiplied by 2 cents will equal the entry on the same line in column 22, which is the sum of the entries in column 22 opposite the producers' names.

Section 224, item 28, of Cotton 308 - Part II, provides that the entry opposite the word "Total" for the farm in column 26 will be the result obtained by subtracting the entry on the same line in column 23 from the entry on the same line of column 22. The sum of the entries for the farm in column 26 may not equal the entry in column 26 opposite the word "Total" for the farm. Using the above example the entries may appear as follows:

Producer	Total amount of penalty	Collections	Unpaid Penalties	Remittances
2	22	23	26	27
A	\$ 0.00	\$ 6.00	\$ 0.00	\$ 6.00
B	10.00		10.00	0.00
C	20.00	16.00	4.00	16.00
Total	\$30.00	\$22.00	\$ 8.00	\$22.00

This is the proper way to make entries in column 26 of form 350 and in cases where the entries have been so made the producers will be placed on the register of indebtedness for the amount shown in column 26 opposite their names, but not to exceed the amount obtained by subtracting the entry opposite the word "Total" in column 23 (less refunds

made to producers on the farm, if any) from the entry on the same line in column 22. This does not leave the forms 350 out of balance since farm totals are used to obtain the balances in items 1 and 2 at the foot of the forms. In this example case, B would be placed on the register of indebtedness for \$8.00 and C for \$4.00.

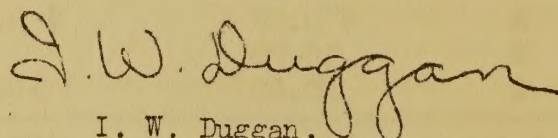
It is understood that in some States and in some counties, but not all counties within a State, entries have been arbitrarily adjusted in column 26 so as to show each producer's pro rata share of the indebtedness for the farm. For example, under such a method the entries in column 26 in the above case would be as follows:

<u>Producer</u>	<u>Unpaid penalties</u>
<u>2</u>	<u>26</u>
A	\$0.00
B	5.72
C	2.28
<u>Total</u>	<u>\$8.00</u>

This method of filling out form 350 is acceptable. Nevertheless, each producer shall be placed on the register of indebtedness in accordance with the rule set out above. Where this method is used in filling out column 26, the State office may compute the amount for which each producer is to be placed on the register of indebtedness from the information shown on the copy of form 350 retained in that office.

In all cases where carry-over cotton is shown on form 350, the entries on form 350 should be reexamined in the light of the instructions contained in this letter.

Very truly yours,



I. W. Duggan,
Director, Southern Division.

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.

DEC 21 1939

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November 21, 1939

To all Administrative Officers and State Committeemen,
Agricultural Adjustment Administration,
Southern Region:

Re: Report on form Cotton 350 of supplemental
collections of penalties incurred during
the 1938-39 marketing year.

In the event penalties incurred during the 1938-39 marketing year and shown on the original form 350 as unpaid are subsequently collected by setoff or otherwise, it will be necessary to correct the form 350 forwarded to the State office. This will be done by the submission of a supplemental form 350 on which shall be shown the farms in connection with which the penalty was incurred. Collections up to and including the month of December shall be recorded on the first supplemental form 350. Collections for each month thereafter shall likewise be recorded on a supplemental form 350 to be submitted at the end of the month. Each such form 350 prepared shall be identified by the word "Supplement" followed by the serial number of the supplemental report. Serial numbers shall begin with 1 for the first supplemental form 350 and continue thereafter in numerical sequence without regard to fiscal years. The supplemental form 350 shall be prepared as follows:

1. Enter in column 1 the 1938 farm serial number of the farm in connection with which the penalties collected were incurred.

2. Enter in column 2 the name of each producer on the farm in the order in which they appeared on the previous form 350 on which the farm is shown.

3. Enter the word "Total" in column 1 after all names have been entered in column 2.

4. Make no entries for the farm in columns 3 through 7, 9 through 11, and 14 through 21, unless the entries in these columns on the original form 350 were in error, in which case the corrected figures should be entered on the supplemental form 350.



5. Enter in columns 8, 12, 13, and 22 the exact entries for the farm appearing on the previous form 350.

6. Enter in column 23 for each producer who is not to be credited with the additional collection or part thereof the exact entry for such producer appearing in column 23 on the previous form 350. Enter in column 23 for each producer who is to be credited with the additional collection of part thereof the amount obtained by adding to the entry for him in column 23 of the previous form 350 the additional collection or part thereof which is to be credited to him.

7. Enter in column 23 opposite the word "Total" the sum of the entries made as provided in item 6 above.

8. Enter in columns 24 and 25 the exact entries, if any, appearing in such columns for the farm on the original form 350, unless the amount collected exceeds the amount due for the farm and refunds or transfers have been made, in which case enter the corrected figures.

9. Enter in column 26 for each producer who is not to be credited with the additional collection or part thereof the exact entry for such producer appearing in column 26 of the previous form 350. Enter in column 26 for each producer who is to be credited with the additional collection or part thereof the amount obtained by subtracting the amount of the collection to be credited to the producer from the amount shown for the producer in column 26 of the previous form 350.

10. Enter in column 26 opposite the word "Total" the amount obtained by subtracting the amount shown on the same line in column 23 less the amounts, if any, shown on the same line in columns 24, 25, and 28 from the amount shown on the same line in column 22.

11. Enter in column 27 for each producer who is not to be credited with the additional collection or part thereof the exact entry for such producer

appearing in column 27 of the previous form 350. Enter in column 27 for each producer who is to be credited with the additional collection or part thereof the amount obtained by adding the amount of the collection to be credited to the producer to the amount shown for the producer in column 27 of the previous form 350. Opposite the word "Total" enter the sum of the entries for the farm in column 27.

12. Enter in column 28 opposite each producer's name the amount, if any, by which the entry in column 27 exceeds the entry in column 22.

13. Enter in column 28 opposite the word "Total" the amount obtained by subtracting the entry on the same line in column 22 from the entry on the same line in column 27.

14. Enter in column 29 opposite the word "Total" the date on which the account was reconciled as indicated above.

15. Enter on the last line in column 1 of the supplemental form 350 the words "County Total" and on the last line enter the total of all entries in columns 5 through 22, which will be the same as shown on the previous form 350 unless corrections have been made. The entries to be made on this line in columns 23 through 28 will be obtained by subtracting the totals for the farms for which additional collections have been made as shown in such columns on the previous form 350 from the county totals of such columns on the previous form 350 and adding thereto the sum of the entries opposite the word "Total" for each farm as shown on the supplemental form 350.

16. The spaces provided at the foot of the supplemental form 350 for "Total Penalties Paid" and "Balance of collections" shall be filled in on the last sheet of form 350 using the entries opposite the words "County Total" on the supplemental form 350 for making the required computations.

The supplemental form 350 shall be approved by the county committee, county treasurer, and auditor. The original and one copy

shall be forwarded to the State office. The State office will forward the original to the Director of the Southern Division, Washington, D. C.

Very truly yours,

I. W. Duggan

I. W. Duggan,
Director, Southern Division

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

December 1, 1939

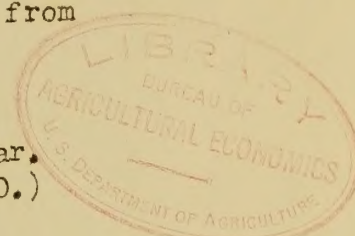
To All Administrative Officers and State Committeemen,
Agricultural Adjustment Administration,
Southern Region:

This is with reference to form Cotton 229, "Claim for Refund," to be executed by persons bearing the burden of the payment of funds in excess of penalties due in connection with the marketing of cotton during the 1938-39 marketing year. It is felt that the regulations (Cotton 228) printed on the reverse side of form Cotton 229, together with the printed material on the face of the form itself, are adequate to explain the manner of execution of the form, except that the information to be entered in paragraph 2 of Part I of the form should be filled out so as to show, in addition to that called for by items (a) and (b) of the paragraph, the following facts:

1. The name of each producer on the farm in 1938.
(to be taken from column 2 of form Cotton 350.)
2. The amount of each producer's share in the final cotton marketing quota as determined for the farm for the 1938-39 marketing year. (To be taken from column 8 of form Cotton 350.)
3. The total amount of cotton marketed by or for each producer during the 1938-39 marketing year.
(To be taken from column 12 of form Cotton 350.)
4. The total amount of cotton marketed by or for each producer in excess of his respective producer marketing quota. (To be taken from column 13 of form Cotton 350.)
5. The total collections received in connection with the marketing of cotton by or for each producer during the 1938-39 marketing year and remitted to the Secretary of Agriculture. (To be taken from column 27 of form Cotton 350.)

If additional space is needed to show the above information, such information may be shown on a separate sheet, which shall be stapled to the form Cotton 229.

In executing form Cotton 229, it is desirable not to mention any other form used in connection with the records pertaining to



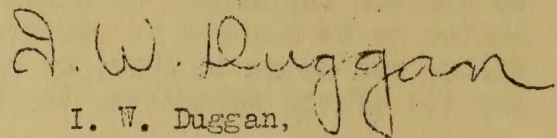
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marketing quotas unless such form is attached to the claim and made a part thereof.

In some cases marketing quota penalties have been improperly referred to as "taxes." In executing forms Cotton 229, the terms "penalty" or "penalties" should be used.

It is recognized that in many cases it will be difficult to establish the particular sale or sales in connection with which the penalty was erroneously collected. Inasmuch as it is presumed that cotton which could be marketed free of penalty will have been marketed first, it would not be objectionable to assign the first sale or sales on which penalties were collected as the ones in connection with which the penalties were erroneously collected. However, if the particular sales in connection with which the penalties were erroneously collected can be definitely established, such sales should be designated in paragraph 1. of Part I of the form Cotton 229.

Very truly yours,

A handwritten signature in dark ink, appearing to read "I. W. Duggan". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

I. W. Duggan,
Director, Southern Division.